company as it had affected operations in other companies which were unrelated to this account. The notice has been however withdrawn without prejudice to right of the bank to proceed against borrowers/guarantors in a suit filed before Debt Recovery Tribunal, Pune as well through securitization notice issued under SARFAESI Act. Out of the two directors in the corporate borrowal allow, one of them represented to the Bank that he belongs to Scheduled Caste. The Reserve Bank of India is seized of the matter.

Inflation rate

1614. DR. K. MALAISAMY: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that the inflation rate rose to its peak during the month of June, the highest as measured by Wholesale Price Index (WPI) in a little longer than the last 13 years;

(b) the disastrous impact of inflation on the helpless poor-who are worst hit since the days of "Garibi Hatao" to the days of "Aam Admi";

(c) what are the various measures covering multipronged directions to control and contain inflation; and

(d) to what extent they have succeeded?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Sir, the year-on-year WPI inflation rate touched double digit at 11.821 per cent in June, 2008, as compared to 10.99 per cent in May 1995. The point-to-point WPI inflation rate stood at 8.00 per cent as on November 29, 2008, and has decelerated from 12.91 per cent on August 2, 2008.

(b) to (d) Containment of inflation remains high on the agenda of the Government. Anti-inflationary policies of the Government include strict fiscal discipline, rationalization of duties on essential items, effective supply-demand management of essential commodities, procurement and distribution of essential items of consumption by the poor through Public Distribution System (PDS). The monetary policy of the Reserve Bank of India, while being conducive to economic growth, has attempted to contain inflationary expectations arising out of uncertainties in domestic and international environment.

Effects of slump in the American economy

†1615. SHRI JANESHWAR MISHRA: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that Indian banks and economy have suffered a loss of thousands of crores due to deterioration of American economy;

(b) if so, whether Government has done any assessment of bad effects of slump in America economy on Indian economy;

(c) if so, whether Government is formulating any effective plan to counter its effect; and

(d) if so, the details thereof?

†Original notice of the question was received in Hindi

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Following the *sub-prime* crisis in US, steps have been taken to monitor the impact of the banking crisis of USA on Indian banks on regular basis. Against the backdrop of the *sub-prime* crisis, RBI initiated a series of meeting with 15 major banks in the month of September 2007, so as to assess its impact on Indian banks and take necessary remedial measures. It was observed that none of the Indian banks and foreign banks (in respect of their operations in India) with whom discussions were held, had any direct exposure to the *sub-prime* mortgage markets in the US and other markets, and hence no direct impact could be seen. However, some of the Indian banks with overseas operations had suffered Marked-to-Market (MTM) losses on account of the exposure of their foreign offices to credit derivatives and investments.

These valuation losses were caused by the crisis in the global credit markets as a result of widening of credit spreads in the wake of the *sub-prime* crisis. All the public sector banks having overseas operations have reported 'nil' credit losses as on 30th September, 2008.

(c) and (d) In response to the evolving global and domestic developments, Government and RBI have taken a number of measures since mid-September 2008 to augment domestic and forex liquidity and to enable banks to continue to lend for productive purposes, while maintaining credit quality so as to sustain the growth momentum. Government and RBI have issued a series of Press Releases indicating the measures taken by them, which are available at websites of Government of India *(www.pib.nic.in)* and RBI *(www.rbi.org.in)*. Government and RBI continue to closely monitor the developments in the global and domestic financial markets and will take swift and effective action as appropriate.

Economic recession

1616. SHRI SHANTARAM LAXMAN NAIK : Will the PRIME MINISTER be pleased to state :

(a) whether it is a fact that India's economy may undergo recessionary trends affected by similar trends, world over;

(b) if so, the steps Government proposes to take in this regard;

(c) the steps already taken, if any, so far; and

(d) the details as regards the impact created by the steps taken by Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) With increasing globalisation of the Indian economy, the global financial crisis impacts the domestic economy through trade and financial channels. The macro effect of the global crisis on the domestic economy has however been muted. Though there has been a moderation in growth with Gross Domestic Product at constant prices growing at 7.8 per cent during April- September of 2008-09 as compared to a growth of 9.3 per cent in the corresponding period of 2007-08, the growth potential of the economy as determined by the savings and investment ratios, is robust.

(c) and (d) To safeguard the economy against adverse impact of the global financial crisis, the Reserve Bank of India has taken measures *inter-alia* for reduction in Cash Reserve Ratio and Statutory Liquidity Ratio, reduction in repo and reverse repo rates and for liberalising access to